



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

**Financial Statements Audit Report**

**Jefferson County Fire Protection**

**District No. 1**

**(East Jefferson Fire Rescue)**

**For the period January 1, 2012 through December 31, 2013**

**Published December 29, 2014**

**Report No. 1013346**





**Washington State Auditor**  
**Troy Kelley**

December 29, 2014

Board of Commissioners  
East Jefferson Fire Rescue  
Port Townsend, Washington

**Report on Financial Statements**

Please find attached our report on the East Jefferson Fire Rescue's financial statements.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

TROY KELLEY  
STATE AUDITOR

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# **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

**East Jefferson Fire Rescue  
Jefferson County  
January 1, 2012 through December 31, 2013**

Board of Commissioners  
East Jefferson Fire Rescue  
Port Townsend, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the East Jefferson Fire Rescue, Jefferson County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 17, 2014.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

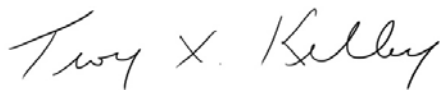
## ***COMPLIANCE AND OTHER MATTERS***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## ***PURPOSE OF THIS REPORT***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



**TROY KELLEY**  
STATE AUDITOR

December 17, 2014

# **Independent Auditor's Report on Financial Statements**

## **East Jefferson Fire Rescue Jefferson County January 1, 2012 through December 31, 2013**

Board of Commissioners  
East Jefferson Fire Rescue  
Port Townsend, Washington

### ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the East Jefferson Fire Rescue, Jefferson County, Washington, for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 9.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting

estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)***

As described in Note 1, the East Jefferson Fire Rescue has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the East Jefferson Fire Rescue, for the years ended December 31, 2013 and 2012, on the basis of accounting described in Note 1.

### ***Basis for Adverse Opinion on U.S. GAAP***

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

### ***Adverse Opinion on U.S. GAAP***

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the East Jefferson Fire Rescue, as of December 31, 2013 and 2012, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

### ***Other Matters***

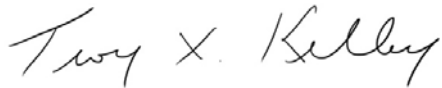
#### ***Supplementary and Other Information***

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities are presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and

other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

### ***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**TROY KELLEY**  
STATE AUDITOR

December 17, 2014



## **Financial Section**

**East Jefferson Fire Rescue  
Jefferson County  
January 1, 2012 through December 31, 2013**

### ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2013  
Fund Resources and Uses Arising from Cash Transactions – 2012  
Notes to Financial Statements – 2013  
Notes to Financial Statements – 2012

### ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Liabilities – 2013  
Schedule of Liabilities – 2012

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code	Total for All funds*	000	101	300
<b>Beginning Cash and Investments</b>				
30810 Beg Fund Bal-Reserved	2,054,418	0	0	2,054,418
30880 Beg Fund Bal-Unreserved	2,929,335	1,442,388	1,486,947	0
38800/58800 Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>				
310 Taxes	2,626,936	1,900,077	726,859	0
320 Licenses & Permits	1,900	1,900	0	0
330 Intergovernmental Revenues	4,035	1,712	2,323	0
340 Charges for Goods and Services	3,335,509	1,529,775	1,805,734	0
350 Fines & Penalties	0	0	0	0
360 Miscellaneous Revenues	32,222	20,626	9,132	2,464
Total Operating Revenues:	6,000,602	3,454,090	2,544,048	2,464
<b>Operating Expenditures</b>				
510 General Government	0	0	0	0
520 Public Safety	4,773,009	2,509,100	2,263,909	0
598 Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:	4,773,009	2,509,100	2,263,909	
Net Operating Increase (Decrease):	1,227,593	944,990	280,139	2,464
<b>Nonoperating Revenues</b>				
370, 380, 395, 398 Other Financing Sources	105,248	88,680	15,368	1,200
391-393 Debt Proceeds	4,240,752	0	0	4,240,752
397 Transfers-In	106,098	106,098	0	0
Total Nonoperating Revenues:	4,452,098	194,778	15,368	4,241,952
<b>Nonoperating Expenditures</b>				
580, 596, 599 Other Financing Uses	0	0	0	0
591-593 Debt Service	4,237,636	460,933	0	3,776,703
594-595 Capital Expenditures	2,384,856	147,310	143,077	2,094,469
597 Transfers-Out	106,097	0	102,061	4,036
Total Nonoperating Expenditures:	6,728,589	608,243	245,138	5,875,208
Increase (Decrease) in Cash and Investments	-1,048,898	531,525	50,369	-1,630,792
<b>Ending Cash and Investments</b>				
50810 End Fund Bal-Reserved	423,625	0	0	423,625
50880 End Fund Balance-Unreserved	3,511,233	1,973,917	1,537,316	0

The accompanying notes are an integral part of this Statement.

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code	Total for All funds*	000	101	300
<b>Beginning Cash and Investments</b>				
30810 Beg Fund Bal-Reserved	3,133,635	0	0	3,133,635
30880 Beg Fund Bal-Unreserved	1,978,937	799,904	1,179,033	0
38800/58800 Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>				
310 Taxes	2,713,952	1,868,245	845,707	0
320 Licenses & Permits	0	0	0	0
330 Intergovernmental Revenues	2,219,446	1,490,156	729,290	0
340 Charges for Goods and Services	998,651	7,554	991,097	0
350 Fines & Penalties	0	0	0	0
360 Miscellaneous Revenues	22,957	15,335	2,268	5,354
<b>Total Operating Revenues:</b>	<b>5,955,006</b>	<b>3,381,290</b>	<b>2,568,362</b>	<b>5,354</b>
<b>Operating Expenditures</b>				
510 General Government	80,394	80,394	0	0
520 Public Safety	4,545,959	2,383,147	2,162,812	0
598 Intergovernmental Payments	0	0	0	0
<b>Total Operating Expenditures:</b>	<b>4,626,353</b>	<b>2,463,541</b>	<b>2,162,812</b>	
<b>Net Operating Increase (Decrease):</b>	<b>1,328,653</b>	<b>917,749</b>	<b>405,550</b>	<b>5,354</b>
<b>Nonoperating Revenues</b>				
370, 380, 395, 398 Other Financing Sources	40,396	19,885	14,539	5,972
391-393 Debt Proceeds	0	0	0	0
397 Transfers-In	100,016	100,016	0	0
<b>Total Nonoperating Revenues:</b>	<b>140,412</b>	<b>119,901</b>	<b>14,539</b>	<b>5,972</b>
<b>Nonoperating Expenditures</b>				
580, 596, 599 Other Financing Uses	0	0	0	0
591-593 Debt Service	354,891	354,590	0	301
594-595 Capital Expenditures	1,142,979	40,580	12,156	1,090,243
597 Transfers-Out	100,017	0	100,017	0
<b>Total Nonoperating Expenditures:</b>	<b>1,597,887</b>	<b>395,170</b>	<b>112,173</b>	<b>1,090,544</b>
<b>Increase (Decrease) in Cash and Investments</b>	<b>-128,822</b>	<b>642,480</b>	<b>307,916</b>	<b>-1,079,218</b>
<b>Ending Cash and Investments</b>				
50810 End Fund Bal-Reserved	2,054,418	0	0	2,054,418
50880 End Fund Balance-Unreserved	2,929,335	1,442,388	1,486,947	0

The accompanying notes are an integral part of this Statement.

**NOTES TO FINANCIAL STATEMENT***For the Year Ended December 31, 2013*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Jefferson County Fire Protection District No. 1, dba East Jefferson Fire Rescue, is a special purpose government that provides fire protection services and emergency medical services to the general public and is supported primarily through property taxes. The District was incorporated in 1948 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts.

**a. Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The District's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the District:

**GOVERNMENTAL FUND TYPES:****General (Current Expense) Fund**

This fund is the primary operating fund of the District. It accounts for all financial resources except those required or elected to be accounted for in another fund.

**Special Revenue Funds**

These funds account for the proceeds of specific revenue source (other than for major capital projects) that are legally restricted to expenditures for specific purposes.

**Capital Project Funds**

These funds account for financial resources that are designated for the acquisition or construction of general government capital projects.

**b. Basis of Accounting**

Jefferson County Fire Protection District No. 1 reports financial activity using the revenue and expenditure classifications, statements and schedules contained in the Cash Basis Budgeting Accounting and Reporting System (BARS) manual. This basis of accounting and reporting is an other comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

**c. Cash**

It is the District's policy to invest all temporary cash surpluses. The amount is included on the statement of resources and uses arising from cash transactions as cash and investments.

**d. Deposits**

The District's deposits are covered by (the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission).

**e. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$25,000 and an estimated useful life in excess of 10 years. Capital assets are recorded as capital expenditures when purchased.

**f. Compensated Absences**

IAFF Local 2032 Labor Agreement: Article 26 VACATION

Vacation leave compensation paid according to current Union contract and/or according to contract agreement for non-union members. Per current contract, upon termination

## NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2013

or retirement, the employee shall be compensated for any unused vacation time at their regular rate of pay. For Union employees only, no more than one hour may carry-over from one year to the next. Any unused vacation, on the last pay period of the year, shall be dispersed in the following way: Vacation hours will be multiplied by the effected employee's regular hourly wage and 50% will be deposited into the said employee's HR VEBA account. The remaining 50% will be cashed out on the December 20 paycheck. The District's estimated liability for vacation leave termination benefits on December 31, 2013 was \$20,406.52.

IAFF Local 2032 Labor Agreement: Article 20 SICK LEAVE

Sick leave compensation paid according to current Union contract and by contract agreement for non-union members. The maximum amount of sick leave that an employee may carry is 1,440 hours. Excess hours will be paid out to the employee's HR VEBA account at a rate of 50% of the affected employees hourly rate. Upon retirement, layoff or other voluntary separation of employment, any accrued sick leave of 1,440 hours shall be reimbursed at 50% of the effected employee's hourly rate of pay. No payment shall be made if employee is terminated. The District's estimated liability for sick leave benefits on December 31, 2013, was \$298,207.13.

IAFF Local 2032 Labor Agreement: Article 16 OVERTIME AND CALLBACK

Any employee entitled to overtime pay under this Article may elect to receive compensatory time at the rate of time and one-half in lieu of monetary payment at the same rate. Compensatory time may be accrued up to a maximum of two-hundred-forty (240) hours. Compensatory time shall be allowed to be carried over from one year to the next. Upon termination or retirement, employees shall be compensated for all compensatory hours accrued at their regular hourly rate of pay. The District's estimated liability for compensatory time on December 31, 2013 was \$69,764.58.

Severance packages for Chief Officers are defined by personnel contract and the District's estimated liability as of December 31, 2013, was \$75,326.28.

g. Reserved Fund Balances

Jefferson County Fire Protection District No. 1 received LTGO Bond funds in December 2010. The LTGO Bond was refinanced in April 2013. These funds are reserved for capital purchases and improvements pursuant to the bond agreement and authorization by the Board of Fire Commissioners. The balance of this reserved fund as of December 31, 2013, was \$423,625.32.

The Jefferson County Fire Protection District No. 1 Board of Fire Commissioners has established Apparatus Replacement Funds for both fire apparatus and emergency medical services apparatus. As of December 31, 2013, the balance of these funds was: Fire Apparatus Replacement Fund \$470,435.86 and EMS Apparatus Replacement Fund \$203,474.93.

NOTE 2 - BUDGETS

Jefferson County Fire Protection District No. 1 adopts annual appropriated budgets for 2 funds (Fire and EMS). These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund Name	Appropriated Amounts	Actual Expenditures	Variance
Fire Dist 1 General	\$3,785,142	\$3,235,901	\$549,240 (14.5%)
Fire Dist 1 EMS	\$2,578,722	\$2,490,312	\$ 88,410 (3.5%)
Totals	\$6,363,864	\$5,726,213	\$637,651 (10%)

NOTE 3 - PROPERTY TAXES

## NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2013

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed (at/after) the end of each month.

Property tax revenues are recognized when cash is received by the District. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

Jefferson County Fire Protection District No. 1's regular levy for the year 2012 for collection in 2013 was \$1.31497 per \$1,000 on an assessed valuation of \$1,447,210,975 for a total regular levy of \$1,903,039.02.

Jefferson County Fire Protection District No. 1's EMS levy for the year 2012 for collection in 2013 was \$0.50 per \$1,000 on an assessed valuation of \$1,469,136,180 for a total EMS levy of \$734,568.09.

## NOTE 4 - INVESTMENTS

Jefferson County Fire Protection District No. 1 investments are held by Jefferson County as its agent in the District's name. Investments by type at December 31, 2012 were as follows:

Type of Investment	Balance
Washington State Local Government Investment Pool	\$3,863,459.96
Total	\$3,863,459.96

## NOTE 5 - DEBT SERVICE REQUIREMENT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the District and summarizes the District's debt transactions for year 2012. The debt service requirements, including interest, are as follows:

	General Obligation Bonds	Other Debt	Total Debt
2013	365,015.94	95,917.84	460,933.78
2014	351,500.50	95,917.84	447,418.34
2015	357,288.50	95,917.84	453,206.34
2016	357,925.00	95,917.84	453,842.84
2017	355,525.00		355,525.00
2018 - 2022	1,778,355.00		1,778,355.00
2023 - 2027	1,780,162.50		1,780,162.50
2028 - 2032	1,547,925.00		1,547,925.00
Totals	6,893,697.44	383,671.36	7,277,368.80

## NOTE 6 - PENSION PLANS

Substantially all of Jefferson County Fire Protection District No. 1's full-time and qualifying part-time employees participate in the LEOFF II or PERS II or PERS III plans administered by the Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the District's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Per the IAFF Local 2032 2010-2012 contract Jefferson County Fire Protection District No. 1 also participates in the Washington State Deferred Compensation Program. Contributions are up to \$.50 on the dollar for every one dollar (\$1.00) the employee contributes up to 5% of the top step firefighter base salary in 2013.

Historical trend or other information regarding each plan is presented in the state

**NOTES TO FINANCIAL STATEMENT***For the Year Ended December 31, 2013*

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Department of Retirement Systems annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems  
Communications Unit  
PO Box 48380  
Olympia WA 98504-8380

**OTHER DISCLOSURES**

Jefferson County Fire Protection District No. 1 is contracted with the City and has taken over the City of Port Townsend Fire Department effective Jan. 1, 2007. The agreement with the City is that they will pay the same rate as District residents. The City currently has a \$.50 EMS Levy and a \$.43 Fire Levy. The remaining Fire dollars are paid by the City out of their General Fund. Official annexation has not yet occurred.

The 2010 LTGO Bond was refinanced in April 2013 due to lower of interest rates. This realized the District approximately \$462,000 additional dollars. As reported last year our Station 1-1, Chimacum was demolished and a new station built on that site. Additional uses of the LTGO Bond include:

Paying off LOCAL loan  
Purchase of the City of Port Townsend Fire Station\  
Purchase of 2 new Fire Engines  
Purchase of 1 new ambulance  
Remounting of 2 Brush Trucks

The City of Port Townsend is reimbursing the District for the cost of the Capital Lease (Fire Engine) listed on Schedule 9 as compensastion for thier 2011 shortfall in parity with the District. The compensation will be over the 4 year lease period.

**FOOTNOTE 1 - BASIS OF ACCOUNTING**

This schedule is prepared on the same bais of accounting as Jefferson County Fire Protection District No. 1's financial statements. Jefferson County Fire Protection District No. 1 uses Cash Basis Budgeting Accounting and Reporting System (BARA) manual.

**FOOTNOTE 2: PROGRAM COSTS**

This is a cost share grant and the amount shown as current year expenditures are all grant expenses. This is for a fire/rescue boat and the remaining grant funds will be realized in 2014.

Prepared on 11/13/2014

**NOTES TO FINANCIAL STATEMENT***For the Year Ended December 31, 2012*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Jefferson County Fire Protection District No. 1, dba East Jefferson Fire Rescue, is a special purpose government that provides fire protection services and emergency medical services to the general public and is supported primarily through property taxes. The District was incorporated in 1948 and operates under Chapter 52 RCW and other laws of the state of Washington applicable to fire districts.

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**b. Basis of Accounting**

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Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

**c. Cash**

It is the District's policy to invest all temporary cash surpluses. The amount is included on the statement of resources and uses arising from cash transactions as cash and investments.

**d. Deposits**

The District's deposits are covered by (the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission).

**e. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$25,000 and an estimated useful life in excess of 10 years. Capital assets are recorded as capital expenditures when purchased.

**f. Compensated Absences**

IAFF Local 2032 Labor Agreement: Article 26 VACATION

Vacation leave compensation paid according to current Union contract and/or according to contract agreement for non-union members. Per current contract, upon termination



## NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2012

or retirement, the employee shall be compensated for any unused vacation time at their regular rate of pay. For Union employees only, no more than one hour may carry-over from one year to the next. Any unused vacation, on the last pay period of the year, shall be dispersed in the following way: Vacation hours will be multiplied by the effected employee's regular hourly wage and 50% will be deposited into the said employee's HR VEBA account. The remaining 50% will be cashed out on the December 20 paycheck. The District's estimated liability for vacation leave termination benefits on December 31, 2012 was \$2,335.55.

IAFF Local 2032 Labor Agreement: Article 20 SICK LEAVE  
Sick leave compensation paid according to current Union contract and by contract agreement for non-union members. The maximum amount of sick leave that an employee may carry is 1,440 hours. Excess hours will be paid out to the employee's HR VEBA account at a rate of 50% of the affected employees hourly rate. Upon retirement, layoff or other voluntary separation of employment, any accrued sick leave of 1,440 hours shall be reimbursed at 50% of the effected employee's hourly rate of pay. No payment shall be made if employee is terminated. The District's estimated liability for sick leave benefits on December 31, 2012, was \$271,488.53.

IAFF Local 2032 Labor Agreement: Article 16 OVERTIME AND CALLBACK  
Any employee entitled to overtime pay under this Article may elect to receive compensatory time at the rate of time and one-half in lieu of monetary payment at the same rate. Compensatory time may be accrued up to a maximum of two-hundred-forty (240) hours. Compensatory time shall be allowed to be carried over from one year to the next. Upon termination or retirement, employees shall be compensated for all compensatory hours accrued at their regular hourly rate of pay. The District's estimated liability for compensatory time on December 31, 2012 was \$31,877.77.

Severance packages for Chief Officers are defined by personnel contract and the District's estimated liability as of December 31, 2012, was \$129,302.06.

## g. Reserved Fund Balances

Jefferson County Fire Protection District No. 1 received LTGO Bond funds in December 2010. These funds are reserved for capital purchases and improvements pursuant to the bond agreement and authorization by the Board of Fire Commissioners. The balance of this reserved fund as of December 31, 2012, was \$2,054,417.83.

The Jefferson County Fire Protection District No. 1 Board of Fire Commissioners has established Apparatus Replacement Funds for both fire apparatus and emergency medical services apparatus. As of December 31, 2012, the balance of these funds was: Fire Apparatus Replacement Fund \$263,387.23 and EMS Apparatus Replacement Fund \$103,255.69.

## NOTE 2 - BUDGETS

Jefferson County Fire Protection District No. 1 adopts annual appropriated budgets for 2 funds (Fire and EMS). These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund Name	Appropriated Amounts	Actual Expenditures	Variance
Fire Dist 1 General	\$3,287,530	\$2,942,834	\$344,696 (10.5%)
Fire Dist 1 EMS	\$2,529,182	\$2,270,499	\$258,683 (10%)
Totals	\$5,816,712	\$5,213,333	\$603,379 (10.4%)

## NOTE 3 - PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county

## NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2012

for all taxing authorities. Collections are distributed (at/after) the end of each month.

Property tax revenues are recognized when cash is received by the District. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

Jefferson County Fire Protection District No. 1's regular levy for the year 2011 for collection in 2012 was \$1.11034 per \$1,000 on an assessed valuation of \$1,681,330,685 for a total regular levy of \$1,866,848.71.

Jefferson County Fire Protection District No. 1's EMS levy for the year 2011 for collection in 2012 was \$0.50 per \$1,000 on an assessed valuation of \$1,683,894,540 for a total EMS levy of \$841,947.27.

## NOTE 4 - INVESTMENTS

Jefferson County Fire Protection District No. 1 investments are held by Jefferson County as its agent in the District's name. Investments by type at December 31, 2012 were as follows:

Type of Investment	Balance
Washington State Local Government Investment Pool	\$4,377,827.87
Total	\$4,377,827.87

## NOTE 5 - DEBT SERVICE REQUIREMENT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the District and summarizes the District's debt transactions for year 2012. The debt service requirements, including interest, are as follows:

	General Obligation Bonds	Other Debt	Total Debt
2012	354,590.00		354,590.00
2013	356,390.00	95,917.84	452,307.84
2014	353,090.00	95,917.84	449,007.84
2015	354,130.00	95,917.84	450,047.84
2016	355,050.00	95,917.84	450,967.84
2017 - 2021	1,773,737.50		1,773,737.50
2022 - 2026	1,776,037.50		1,776,037.50
2027 - 2030	1,420,725.00		1,420,725.00
Totals	6,743,750.00	383,671.36	7,127,421.36

## NOTE 6 - PENSION PLANS

Substantially all of Jefferson County Fire Protection District No. 1's full-time and qualifying part-time employees participate in the LEOFF II or PERS II or PERS III plans administered by the Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the District's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Per the IAFF Local 2032 2010-2012 contract Jefferson County Fire Protection District No. 1 also participates in the Washington State Deferred Compensation Program. Contributions are up to \$.50 on the dollar for every one dollar (\$1.00) the employee contributes up to 5% of the top step firefighter base salary in 2012.

Historical trend or other information regarding each plan is presented in the state Department of Retirement Systems annual financial report. A copy of this report may

**NOTES TO FINANCIAL STATEMENT**

*For the Year Ended December 31, 2012*

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be obtained at:

Department of Retirement Systems  
Communications Unit  
PO Box 48380  
Olympia WA 98504-8380

OTHER DISCLOSURES

Note to Schedule 10 - Totals include the City of Port Townsend. Jefferson County Fire Protection District No. 1 is contracted with the City and has taken over the City of Port Townsend Fire Department effective Jan. 1, 2007. Totals have included the City since that time. Official annexation has not yet occurred.

With proceeds from the 2010 LTGO Bond, construction of a replacement fire station is taking place with anticipated completion in September 2013.

Prepared on 11/13/2014

Schedule of Liabilities  
For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
<b>General Obligations</b>							
	251.11	GO Bond Non-Voted	12/1/2030	4,120,000	0	3,420,000	700,000
	251.11	GO Bond Refinance Non-Voted	12/1/2032	0	4,165,000	95,000	4,070,000
	259.11	Compensatory Leave		31,878	37,888	0	69,766
	259.11	Severance Agreements		129,302	0	53,976	75,326
	259.11	Sick Leave		271,489	26,719	0	298,208
	259.11	Vacation Leave		2,336	18,072	0	20,408
	263.51	Capital Lease (Fire Engine)	6/16/2016	356,943	0	84,598	272,345
<b>Total General Obligations:</b>				<b>4,911,947</b>	<b>4,247,679</b>	<b>3,653,574</b>	<b>5,506,052</b>
<b>Total Liabilities:</b>				<b>4,911,947</b>	<b>4,247,679</b>	<b>3,653,574</b>	<b>5,506,052</b>

Schedule of Liabilities  
For the year ended December 31, 2012

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	Ending Balance December 31, 2012
<b>General Obligations</b>							
	251.11	GO Bond Non-Voted	12/1/2030	4,280,000	0	160,000	4,120,000
	259.11	Compensatory Leave		0	31,878	0	31,878
	259.11	Severance Agreements		80,555	48,747	0	129,302
	259.11	Sick Leave		260,686	10,803	0	271,489
	259.11	Vacation Leave		13,540	0	11,204	2,336
	263.51	Capital Lease (Fire Engine)	6/16/2016	0	356,943	0	356,943
<b>Total General Obligations:</b>				<b>4,634,781</b>	<b>448,370</b>	<b>171,204</b>	<b>4,911,947</b>
<b>Total Liabilities:</b>				<b>4,634,781</b>	<b>448,370</b>	<b>171,204</b>	<b>4,911,947</b>

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>